

SUMMARY ANALYSIS OF AMENDED BILL

Author: O'Connell Analyst: Kristina North Bill Number: SB 1985

Related Bills: See previous analysis Telephone: 845-6978 Amended Date: 4/23/98

Attorney: Doug Bramhall

Sponsor:

SUBJECT: Computer Technology & Equipment Contributions To Schools
Deduction/Conformity

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

☒ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

☒ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced FEBRUARY 19, and AS PROPOSED TO BE AMENDED (APRIL 13, 1998).

☒ FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED FEBRUARY 19, 1998, STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

Under the Bank and Corporation Tax Law (B&CTL), this bill would allow taxpayers an augmented charitable contribution deduction for contributing computer technology and equipment to educational institutions in California.

SUMMARY OF AMENDMENT

The April 23, 1998, amendment:

- ◆ limited the deduction to bank and corporation taxpayers;
- ◆ limited the deduction to contributions made to educational institutions located in this state;
- ◆ added a reference to the Internal Revenue Code (IRC) as added by Section 224 of Public Law 102-34; and
- ◆ specified that federal provisions relating to computer construction by the taxpayer and the sunset date of the deduction do not apply for purposes of the state deduction.

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Board Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
___X___ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved ___
Position Disapproved ___
Position Noted ___

Department/Legislative Director Date

Johnnie Lou Rosas 4/30/98

Agency Secretary Date

By: Date:

The policy and implementation concerns discussed in the department's analyses of the bill as introduced February 19, 1998, and As Proposed To Be Amended (April 13, 1998) that still apply are restated as follows. A new revenue estimate and technical concerns also are provided, resulting from the April 23, 1998, amendment. The remainder of the previous bill analysis still applies.

Policy Consideration

By further broadening the federal augmented deduction for state purposes, this bill would not conform to federal law and would increase complexity for taxpayers.

Implementation Considerations

Definitions are needed for: "public or private institutions," "elementary and secondary institutions," "community colleges," and "modified property." Further definition is needed for "educational institution."

The author's intent is unclear on the provision that the modified property "be sold regularly by the manufacturer in order to be treated as newly acquired or constructed property." Clarification is needed.

Technical Considerations

The reference to the federal law is numerically incorrect. The Public Law number for the relevant federal legislation, the Taxpayer Relief Act of 1997, is 105-34, rather than 102-34.

Tax Revenue Estimate

The revenue impact of this amended bill is estimated to be as follows:

Estimated Revenue Impact of SB 1985 Income Years After 12/31/97 Enactment Assumed After 6/30/98 (In \$Millions)			
Fiscal Years	1998/99	1999/00	2000/01
Revenue Impact (Rounded)	(5)	(4.5)	(5)

Any possible changes in employment, personal income, or gross state product that might result from this bill are not taken into account.

Tax Revenue Discussion

Revenue losses would depend upon the amount of augmented charitable contribution deductions claimed for property (computers) donated to educational institutions and the effective tax rate of contributing corporations.

This bill expands federal requirements by allowing augmented deductions for contributions of computer equipment and software by corporations to any California educational institution.

This revenue estimate reduces the previous estimate (April 13, 1998, version) by 10% to reflect the elimination of business donors under the Personal Income Tax Law.